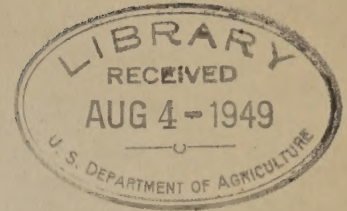


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5-3-46

DEPARTMENT OF AGRICULTURE
Rural Electrification Administration



Administrative Memorandum

SUBJECT: Preparation of Procedures to be Recommended to REA-financed Cooperatives with Respect to Crediting and Retiring Capital Furnished through Patronage

1. The Office of the Solicitor shall prepare and recommend for adoption by cooperatives articles of incorporation and by-laws providing that (a) all amounts received from the furnishing of electric service to patrons, members and non-members alike, in excess of all operating expenses and deductions properly chargeable against the furnishing of electric service are received as capital, (b) amounts so received shall be determined and credited annually on a patronage basis in an appropriate record to the account of each patron, and (c) such capital may be retired: (1) on a revolving basis; or (2) some other equitable basis.
2. Regional committees, each consisting of a representative of the Management Division, the Finance Division, and the Office of the Solicitor, shall, in accordance with established REA policy, prepare for each State a general procedure with respect to the crediting of capital furnished through patronage to each patron's account and the retirement thereof. Where necessary, special procedures and documents shall be prepared in the cases of individual cooperatives. The procedures for all cooperatives shall be as nearly uniform as is practicable. The Engineering Division shall be represented on the regional committees for those regions in which there are generation and transmission cooperatives. The members of the regional committees shall be appointed by the respective chiefs of the divisions involved and the representative of the Office of the Solicitor shall serve as chairman. The Specialist on Cooperatives attached to the Information Division shall serve as a consultant to the regional committees.
3. All procedures formulated by the regional committees shall be submitted to the Administrator for approval.
4. The Management Division shall have the responsibility of advising cooperatives in respect of the procedures approved by the Administrator. The Finance Division shall be responsible for informing

cooperatives as to the proper accounts to be used and the accounting entries to be made to conform to the approved procedures.

5. This Memorandum supersedes all other existing instructions in conflict with its provisions.

Claude R. Wickard

Administrator

Index:

Capital, Patronage; Procedures with Respect to Crediting and Retiring
Equities of Members; Procedures with Respect to Crediting and Retiring Patronage Capital
Member Equities; Procedures with Respect to Crediting and Retiring Patronage Capital
Patronage Capital; Procedures with Respect to Crediting and Retirement
Preparation of Procedures to be Recommended to REA-financed Cooperatives with Respect to Crediting and Retiring Capital Furnished through Patronage
Procedures with Respect to Crediting and Retiring Capital Furnished through Patronage